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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 51796

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Jersey Shore Trading Group, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

54 Broad Street Suite #201

(No. and Street)

Red Bank

NJ

07701

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

John Helbock

(732) 212-1123

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Bagell, Josephs & Company, LLC

(Name - if individual, state last, first, middle name)

200 Haddonfield Berlin Road

Suite 400-403

Gibbsboro, NJ 08026

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

**PROCESSED**  
MAR 23 2005  
THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

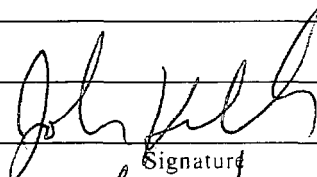
SEC 1410 (06-02)

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## OATH OR AFFIRMATION

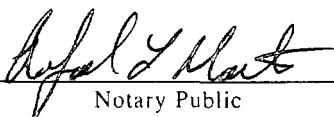
I, John Helbock, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Jersey Shore Trading Group, Inc., as of December 31,, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

President

Title



Notary Public

**RAFAEL L. MARTE**

**Notary Public, State of New York**

**No. 01MA6026293**

**Qualified in Bronx County**  
**Commission Expires June 14, 2006**

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**JERSEY SHORE TRADING GROUP, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**JERSEY SHORE TRADING GROUP, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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**BAGELL, JOSEPHS & COMPANY, L.L.C.**

Certified Public Accountants

High Ridge Commons  
Suites 400-403  
200 Haddonfield Berlin Road  
Gibbsboro, New Jersey 08026  
(856) 346-2828 Fax (856) 346-2882

**INDEPENDENT AUDITORS' REPORT**

To the Stockholder of  
Jersey Shore Trading Group, Inc.  
Red Bank, New Jersey

We have audited the accompanying statement of financial condition of Jersey Shore Trading Group, Inc. as of December 31, 2004, and the related statement of income, changes in stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jersey Shore Trading Group, Inc. as of December 31, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying index is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***BAGELL, JOSEPHS & COMPANY, LLC.***

BAGELL, JOSEPHS & COMPANY, L.L.C.  
Certified Public Accountants  
Gibbsboro, New Jersey

February 11, 2005

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**JERSEY SHORE TRADING GROUP, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2004**

**ASSETS**

**ASSETS**

Cash	\$ 88,880
Deposits with clearing brokers	1,368,766
Commissions receivable	194,878
Securities owned, at market	514,610
Security deposits	7,117
Fixed assets (less accumulated depreciation of \$35,272)	<u>16,830</u>

<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,191,081</u></u></b>
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**LIABILITIES AND STOCKHOLDER'S EQUITY**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 96,042
Commissions payable	181,297
Securities sold, not yet purchased, at market	<u>1,277,140</u>
<b>Total liabilities</b>	<b><u>1,554,479</u></b>

**STOCKHOLDER'S EQUITY**

Common stock, no par value - 25,000 shares authorized; 1,000 shares issued and outstanding	-
Additional paid-in capital	1,046,636
Accumulated deficit	<u>(410,034)</u>
<b>Total stockholder's equity</b>	<b><u>636,602</u></b>

<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u><u>\$ 2,191,081</u></u></b>
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The accompanying notes are an integral part of these financial statements

**JERSEY SHORE TRADING GROUP, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**REVENUE**

Trading income- net	\$1,116,607
Commissions- net	2,060,582
Interest income	<u>1,665</u>

<b>TOTAL REVENUES</b>	<u><u>3,178,854</u></u>
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**EXPENSES**

Officers' compensation	418,924
Employee compensation and benefits	287,022
Clearing, brokerage and related costs	6,907
Occupancy costs	85,129
Office	12,141
Professional fees	47,037
Other	20,680
Depreciation	7,310
Brokers commissions	1,505,907
Licenses and registration	27,331
Interest expense	38,243
Automobile expense	12,818
Insurance	16,468
Quotes and research	138,062
Telephone	29,093
Ticket charges	363,870
Travel and entertainment	<u>35,224</u>

<b>TOTAL EXPENSES</b>	<u><u>3,052,166</u></u>
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<b>NET INCOME</b>	<u><u>\$ 126,688</u></u>
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The accompanying notes are an integral part of these financial statements

**JERSEY SHORE TRADING GROUP, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Balances, January 1, 2004	1,000	\$ -	\$ 1,054,636	\$ (536,722)	\$ 517,914
Withdrawals - net			(8,000)		(8,000)
Net income				126,688	126,688
Balances, December 31, 2004	1,000	\$ -	\$ 1,046,636	\$ (410,034)	\$ 636,602

The accompanying notes are an integral part of these financial statements



**JERSEY SHORE TRADING GROUP, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 126,688
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**Adjustments to reconcile net income to net cash  
provided by operating activities:**

Depreciation	7,310
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**(Increase) Decrease in operating assets:**

Deposits with clearing broker, net	(770,112)
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Commissions receivable	(17,180)
------------------------	----------

Securities owned, at market	(274,212)
-----------------------------	-----------

**Increase (Decrease) in operating liabilities:**

Accounts payable and accrued expenses	(82,293)
---------------------------------------	----------

Commissions payable	181,297
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Securities sold, not yet purchased, at market	926,385
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Total adjustments	(28,805)
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Net cash provided by operating activities	97,883
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	(1,003)
--------------------------	---------

Net cash used in investing activities	(1,003)
---------------------------------------	---------

**CASH FLOWS FROM FINANCING ACTIVITIES**

Withdrawals - net	(8,000)
-------------------	---------

Net cash used in financing activities	(8,000)
---------------------------------------	---------

NET INCREASE IN CASH	88,880
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CASH - BEGINNING OF YEAR	-
--------------------------	---

CASH - END OF YEAR	\$ 88,880
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The accompanying notes are an integral part of these financial statements

**JERSEY SHORE TRADING GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BUSINESS**

Jersey Shore Trading Group, Inc. ("Company") is a registered broker-dealer in securities under the provisions of the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc.

The Company has an agreement ("Agreement") with a clearing broker ("Broker") to clear securities transactions, carry customers' accounts on a fully disclosed basis and perform certain record keeping functions. Accordingly, the Company operates under the exemptive provisions of Securities and Exchange Commission ("SEC") Rule 15c3-3(k)(2)(ii).

**SECURITIES TRANSACTIONS**

Securities transactions and related commission revenues and expenses are recorded on a trade date basis. Securities listed on a national exchange are valued at the last sales price on the date of valuation. Securities not listed on a national exchange are valued at the last sales price on the date of valuation or, if such price is not available, at the bid price for securities owned and the ask price for securities sold but not yet purchased at the close of business.

**INCOME TAXES**

The Company, with the consent of its stockholder, has elected to be treated as an S corporation under the applicable provisions of the Internal Revenue Code. Accordingly, items of income, loss, credits and deductions are not taxed within the corporation but are reported on the income tax returns of the stockholder.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reported in the balance sheet for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value because, in general, the interest on the underlying instruments fluctuates with market rates.

**JERSEY SHORE TRADING GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2004**

**NOTE 1.     NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FIXED ASSETS**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The costs of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterment. Depreciation expense was \$7,310 for the year ended December 31, 2004.

**NOTE 2.     CLEARING AGREEMENT**

In accordance with the Agreement, all of the Company's property held by the Broker including, but not limited to, securities, deposits, monies and receivables are used as collateral to secure the Company's liabilities and obligations to the Broker.

**NOTE 3.     REGULATORY NET CAPITAL AND RESERVE REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2004, the Company has regulatory net capital of approximately \$276,526 and a minimum regulatory net capital requirement of \$100,000.

Under the provisions of Rule 15c3-3, the Company is not required to segregate funds in a special reserve account for the exclusive benefit of customers and, is not subject to certain other requirements of the Consumer Protection Rule.

**JERSEY SHORE TRADING GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2004**

**NOTE 4.     COMMITMENTS**

**CUSTOMER TRANSACTIONS**

In the normal course of business, the Company executes, as agent, securities transactions on behalf of its customers. If the agency transactions do not settle because of failure to perform by either the customer or the counter party, the Company may be obligated to discharge the obligation of the non-performing party and, as a result, is subject to market risk if the market value of the securities is different from the contract amount of the transactions.

The Company does not anticipate nonperformance by customers or counter parties in the above situations. The Company's policy is to monitor its market exposure and counter party risk. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counter party and customer with which it conducts business.

**OPERATING LEASE**

The Company leases office space under a non-cancellable lease agreement that will expire in December 2005. Currently, the Company is paying \$3,240 per month as a base rent. The minimum rentals for the next twelve months are \$40,800. The Company also pays rent, on a month-to-month basis, for a Chicago branch office.

Rent expense for the year ended December 31, 2004 was \$85,129.

**NOTE 5.     MARKETABLE SECURITIES**

Marketable securities represent securities owned by the Company as an investment. As of December 31, 2004, marketable securities were comprised of the following:

	<u>Market Value</u>	<u>Percent of Total</u>
Corporate securities (net of unrealized appreciation)	<u>\$ 514,610</u>	<u>100%</u>

**JERSEY SHORE TRADING GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2004**

**NOTE 6.     SECURITY DEPOSITS**

The Company has a security deposit with it's landlord in the amount of \$7,117 as of December 31, 2004.

**NOTE 7.     FIXED ASSET**

Fixed assets at December 31, 2004 are as follows:

Office equipment and furniture	\$ 49,830
Computer	2,272
Accumulated depreciation	<u>(35,272)</u>
	<u>\$ 16,830</u>

Depreciation expense was \$7,310 for the year ended December 31, 2004.

**NOTE 8.     SECURITIES SOLD, NOT YET PURCHASED**

The Company may, from time to time, sell securities it does not own in anticipation of a decline in the fair value of those securities. When the Company sells a security short, it must borrow the security sold short. A gain, limited to the price at which the Company sells the security short, or a loss, unlimited in amount, will be recognized upon the termination of a short sale. At December 31, 2004, there is an obligation for securities sold, not yet purchased, at market of \$1,277,140. There is an element of market risk in that, if the securities at a cost in excess of the price reflected in the statement of assets and liabilities.

**NOTE 9.     PENSION PLAN**

The Company has a simple IRA Plan. This plan was inactive in 2004.

**SUPPLEMENTAL SCHEDULE**

**JERSEY SHORE TRADING GROUP, INC.**  
**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**  
**AND STATEMENT PURSUANT TO RULE 17a-5(d)(4)**  
**DECEMBER 31, 2004**

**Computation of Net Capital Pursuant to Rule 15c3-1**

**Computation of Net Capital**

Total stockholders' equity from statement of financial condition	\$ 636,602
Less: Non-allowable assets:	
Fixed assets	(16,830)
Security deposits	<u>(7,117)</u>
Total non-allowable assets	<u>(23,947)</u>
Tentative net capital	612,655
 Haircut valuations and undue concentration	 <u>(336,129)</u>
 <b>NET CAPITAL</b>	 <b><u><u>\$ 276,526</u></u></b>

**Computation of Basic Net Capital Requirement**

Minimum net capital required, 6-2/3% of \$277,339, pursuant to Rule 15c3-1	<u>\$ 18,499</u>
Minimum dollar net capital requirements of reporting broker/dealer	<u>\$100,000</u>
Net capital requirement	<u>\$100,000</u>
 <b>EXCESS NET CAPITAL</b>	 <b><u>\$176,526</u></b>

**Computation of Aggregate Indebtedness**

Accounts payable and accrued expenses	<u>\$ 96,042</u>
Commission payable	<u>\$181,297</u>
Total aggregated indebtedness	<u>\$277,339</u>
Percentage of aggregate indebtedness to net capital %	<u>100%</u>

**Statement Pursuant to Rule 17a-5(d)(4)**

A reconciliation with the Company's computation of net capital as reported in the unaudited Part II A of Form X-17A-5 was not prepared as there are no material differences between the Company's computation of net capital and the computation contained herein.

**BAGELL, JOSEPHS & COMPANY, L.L.C.**

Certified Public Accountants

High Ridge Commons  
Suites 400-403  
200 Haddonfield Berlin Road  
Gibbsboro, New Jersey 08026  
(856) 346-2828 Fax (856) 346-2882

**REPORT ON INTERNAL CONTROL**

Board of Directors  
Jersey Shore Trading Group, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Jersey Shore Trading Group, Inc. for the year ended December 31, 2004, we considered its internal control structure, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5 (g) (1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by the company that we considered relevant to the objectives stated in Rule 17a-5 (g) in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3 (a) (11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3. We did not review practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in compliance with the requirements for prompt payment of securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the proceeding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



Because of inherent limitations in any internal control structures or the practices and procedures referred to above, errors or irregularities may occur and may not be detected. Also, protection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all materials respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5 (g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

***BAGELL, JOSEPHS & COMPANY, LLC.***

BAGELL, JOSEPHS & COMPANY, L.L.C.

Certified Public Accountants

Gibbsboro, New Jersey

February 11, 2005